

PERSONNEL/ADMINISTRATIVE AFFAIRS COMMITTEE

FEBRUARY 1, 2016

A meeting of the Personnel/Administrative Affairs Committee was held on Monday, February 1, 2016, at 7:00 p.m. in the Aldermanic Chamber.

Chairman Benjamin M. Clemons presided.

Members of the Committee present: Alderman Tom Lopez
Alderman Don LeBrun
Alderman June M. Caron

Members not in Attendance: Alderman-at-Large David W. Deane, Vice Chair

Also in Attendance: Alderman David Schoneman
Alderman-at-Large Lori Wilshire
Alderman-at-Large Brian S. McCarthy

ELECTION OF COMMITTEE CLERK

Chairman Clemons called for nominations for the Committee Clerk for the 2016-2017 term.

ALDERMAN CARON NOMINATED ALDERMAN LEBRUN

MOTION BY ALDERMAN LOPEZ TO CLOSE THE NOMINATIONS

MOTION CARRIED

VOTE TAKEN ON NOMINATION OF ALDERMAN LEBRUN AS COMMITTEE CLERK FOR THE 2016-2017 TERM

MOTION CARRIED

Alderman LeBrun duly elected as committee clerk

PUBLIC COMMENT

Mr. Joseph Farris, 14 Thorndike Street

With regard to the solar situation, is there anybody here who is pro the taxation and can you explain to me why the city feels that it is justified?

Chairman Clemons

Typically we don't take questions during the public comment, it's simply for you to give your opinion and then we will be debating the measure later. I will tell you that there are ten sponsors and there are fifteen Aldermen so I think it has a pretty good chance of passing.

Mr. Farris

My only reason for asking the question is because instead of people beating up all of these potential statements, addressing why they think it's legitimate is really the question here more than anything. A couple of things are that people that are paying ahead of time, it's recognized by both the state and by the federal government as being a benefit; so much so that the state this year gives \$2,500, last year

they gave \$3,750 cash back. The federal government gave a \$2,000 tax credit so they both are saying do this, it's good for us and it's good everybody. Somehow the city doesn't recognize that but that's okay. Quite frankly the statement I was told was that's its considered part of the electrical system which is why they feel it improves the value of the house and not as though it was just power. If that's the case the city doesn't charge or tax oil storage tanks for heating systems which is a similar thing and they don't charge people taxation for cord wood. Some houses still have well water and you don't charge them for that. These are all similar types of usages. Paying ahead for the benefit of a discount is a wonderful thing but if 50% of what I save over my entire life with the system is given to the city is rudimentarily unfair. There is a number that was thrown out which is \$75.00 per square foot. Is that accurate, does anybody know?

Alderman McCarthy

That's probably about right, maybe \$70.00.

Mr. Farris

At \$70.00 they appraised my system at roughly \$34,000 which I paid \$19,000 cash before my discount; before my \$3,750 back and before my \$2,000 tax credit. That number is just exaggerated and I paid cash for my system. That would need to be revisited as well if it were to go forward. That's it, thank you.

Chairman Clemons

We will be taking up the legislation later.

Ms. Alice Gibson, 20 Shady Lane

I am here to speak for myself as well as Shayla Thurston of 120 Pine Hill Road. I know Nashua to be a city with pride, with accomplishment and a city that bought its own water supply after much ado. It's a city that tries to make itself a draw and a welcoming one. It's also a city that has waited for rail for as long as I have lived here. Obviously I have seen a lot of growth and changes since 1971. I am here to cheer on the adoption of a solar bill, not only because it affects me but because it is an energy choice that is available now and it has advantages that I hope many Nashuan's who would like it can make their choice to adopt it without tax increases. I hope you, who will vote on it, will not fail to see this opportunity worthy of an adoption now for Nashua. Although the recently branded phrase for Nashua didn't make too much sense to me before does now. I ask that you Aldermen who have the chance to will "Dare to Begin 2016" by adopting a bill for solar without tax increases. Let's go big or the solar companies will go home. Thank you.

INTERVIEWS

Business & Industrial Development Authority

Lydia J. Foley (New Appointment)

Term to Expire: September 13, 2017

Ms. Kim Kleiner

I am here on behalf of Mayor Donchess. He regrets that he could not attend this evening but he is at a Ward 2 meeting. It is his pleasure to bring forward Lydia Foley for an appointment to the BIDA Committee. Lydia is a young professional in our community who owns her own business. She is a broker and a relator. She has a degree in marketing and she has been attending most of the meetings for quite a long time and we think that this represents an opportunity to bring a new member of the

community that's working hard to learn from the distinguished members that are already there and to bring fresh, new ideas also. It's Mayor Donchess' privilege to bring her forward.

Ms. Lydia Foley

I have lived in Nashua my entire life. I have been a realtor for 5 ½ years. Last May I became a broker and opened my own office on Main Street. I do residential and commercial real estate. I am on several Boards; I am on the YMCA Board of Directors and I've been on that Board for about 2 ½ years. I am also on the steering committee for the Young Professionals Network in Nashua which is part of the Chamber. I've been attending BIDA meetings for about 2 years and I'm really excited about the appointment. I volunteer a lot in the city. Real estate is my full-time job but I have also worked in marketing, banking and retail.

Alderman Lopez

Lydia is very active in Ward 4. From what I have seen she is not just a good candidate for the Board because she is knowledgeable about the Board subject matter but what I am hoping to see, for the purposes of my Ward, are more volunteer leaders who are engaging the community and are part of it. That definitely describes Lydia. She is bilingual and she's very involved in the residential and her business on Main Street is very engaging. It has the big purple finch protector out on the sidewalk. I am excited that she is willing to volunteer for us.

COMMUNICATIONS - None

APPLICATION TO LICENSE HAWKER'S, PEDDLER'S, ITINERANT VENDOR'S LICENSE - None

APPOINTMENTS BY THE MAYOR

Business & Industrial Development Authority

MOTION BY ALDERMAN LEBRUN TO RECOMMEND THE CONFIRMATION OF THE APPOINTMENT OF LYDIA J. FOLEY TO THE BUSINESS & INDUSTRIAL DEVELOPMENT AUTHORITY FOR A TERM TO EXPIRE SEPTEMBER 13, 2017
MOTION CARRIED

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS – None

NEW BUSINESS – ORDINANCES

O-16-001

Endorsers: Alderman-at-Large David W. Deane
Alderman Ken Siegel
Alderman-at-Large Lori Wilshire
Alderman June M. Caron
Alderman Mary Ann Melizzi-Golja
Alderman Richard A. Dowd
Alderman Sean M. McGuinness
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman-at-Large Brian S. McCarthy

**INCREASING THE LOWEST PURCHASING LIMIT FOR SMALL PURCHASES FROM \$1,000
TO \$5,000**

Chairman Clemons

This is Alderman Deane's legislation and he left us note and I will read what he said.

"I do have a piece of legislation that is pretty straight forward and does nothing more than to raise the threshold total in the requirements set by ordinance from \$1,000 to \$5,000. If the majority of the committee cares to act upon it that would be fine with me. I apologize for the short notice that I could not be here."

MOTION BY ALDERMAN CARON TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Caron

I think this is a great idea and I wish we had done it a few years ago because this really takes a lot of burden off of department heads as well as the Finance Committee. I'm glad that Alderman Deane brought it forward.

Alderman Schoneman

I'm not on the committee and I didn't co-sponsor this but I am certainly in favor of it. I think it streamlines our purchasing process. As Alderman Caron said I think it's probably overdue. \$5,000 is still a pretty small amount of money these days. I think it's a great idea.

MOTION CARRIED

O-16-002

Endorsers: Mayor Jim Donchess
Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Lori Wilshire
Alderman-at-Large Daniel T. Moriarty
Alderman-at-Large Mark S. Cookson
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Tom Lopez
Alderman Mary Ann Melizzi-Golja
Alderman June M. Caron
Alderman Richard A. Dowd
Alderman Benjamin M. Clemons

INCREASING THE EXEMPTION FOR SOLAR ENERGY SYSTEMS

MOTION BY ALDERMAN CARON TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman McCarthy

I'd like to talk a little bit about the history of it and there are a couple of things that I wanted to straighten out. It was brought to my attention at the end of the last term that we were levying substantial taxes on solar improvements. After some research I found that we actually had taken advantage of the state's extending us the ability to exempt solar improvements from taxation and we had done that in the amount of \$5,000. We passed that in 1986 when \$5,000 was probably about the value of most systems that would have been put in place but that is no longer the case. I think they are now generally in the \$20,000 to \$30,000 range for residential installations. All the ordinance does is to say whatever that uplift is it's exempted from taxation. It doesn't touch the actual assessment process. You heard some comments about valuation. It's an odd thing the way we do assessments because the assessment is basically on what's the difference in the value of the property in the market and not what did it cost to put it in so if you get a system the assessment change may not be exactly the same as what you paid for it. It may be more or it may be less. In theory it's the difference between what would the property sell for the day before its installed and the day after is the way that we do taxation. I don't want to spend a lot of time on that because it really doesn't matter to what's happening because what we would do is the assessment will be independent of what the taxation is because the value of the solar improvements would be exempted from taxation. The state has passed several things to encourage solar. I would point out that if you listen to the Business and Industry Association and the Department of Resources and Economic Development they will tell you that there are two things that are the major causes of not being able to get businesses to open in New Hampshire. One of them is the impact of the BPT and the BET and the other one is the cost of electricity. The first of those we can't do anything about but the second, if we increase the supply of available electricity by allowing people to put solar on their house and to net meter, the effect that has is that during the day, which is when we have the most demand for electricity there is more electricity available which ought to help us with the rate issue over time. It seems reasonable and it looks like most of the communities in New Hampshire have already done that. We are actually a little bit behind the curve on that so I put the legislation in to catch up on that and to promote the availability of more electricity and renewable electricity through solar energy. I had been a little concerned that what does that do with solar generation farms. They are actually not covered by that exemption they are covered by another portion of the RSA's so if someone locates a solar generating facility we actually have the ability to give them a tax break but it's done through a different process so we would take that up when the time comes. I noticed today when I was driving home from work, I haven't driven through Pepperell in a number of months, there is a fairly massive new solar plant about one mile from my house that just went in and I think we need to do as much as we can to promote cheap, clean energy in southern New Hampshire by doing things like this.

Alderman Wilshire

I fully support this and I think it's been a long time coming. If we haven't changed anything since 1986, as Alderman McCarthy said, I think we are a little behind the curve. Alderman McCarthy, could you explain to the Chair what the net metering is about?

Alderman McCarthy

When you do net metering you agree with the electric company to...you have a meter that runs in two directions. When you are supplying power to the grid it's running backwards and when you are absorbing power it's running forwards and at the end of the month you get billed for the net change in the amount of electricity that's flowing in and out.

Alderman LeBrun

My understanding is that the power company purchases the power from the individual at a premium rate and then they cannot sell it at that premium rate and they have to sell it at a lesser rate. Is that true?

Alderman McCarthy

I don't know what the rate is that they have to buy it at if you are just selling it to the grid. Most of it is done at the net metering agreements. There may be some agreements that are...some people have leased improvements and those are...there may be an agreement with the power company to sell it back. It's between the company who installs the solar and the electric company.

Alderman LeBrun

If in the case that they have to sell it at a premium rate or buy it at a premium rate and then sell it at a lesser rate do they pass that onto the consumer?

Alderman McCarthy

I would assume it goes to whatever they are selling. If they have to buy it back they are going to get the cost back from somewhere. I think there have been some arrangements that allowed that but I don't know exactly what those are at the moment but most of the increased value incentives to sell to the power company have evaporated in the last few years or will in the next few. I can't answer your question directly though.

Mr. Joseph Farris, 14 Thorndike Street

I actually build stuff for the solar industry but net metering is exactly that, it's one to one. The power company doesn't buy the energy from us they store the energy from us and it gets used through other people. For every kilowatt that my system generates power into the grid they keep track of it and every one that goes back they keep track of it. It's one to one only though. They never write you a check and they never give you money for it if you are in the positive. It just sits there in a bank and eventually you use it so there is zero loss to them. In fact, the advantage to them is...I have a very big rate at 8.2 kilowatts. The five or six houses that are on the same transformer as mine are who is using my power when I'm generating more than I use. At no point in time is there money exchanged and at no point in time does the energy company find themselves in a position where they have paid "X" and now have to sell it for more than "X." They have a free generator and they sell it at their normal rate.

Alderman LeBrun

So you are saying that they cannot sell it for more but my understanding is that whatever credit they give

you is more than the market value and then they can only sell it for a lesser value. Would that necessarily have to be passed on to the consumer? There is a differential there so someone's got to make up that differential.

Alderman McCarthy

That's not the way net metering works. In net metering you have a price per kilowatt hour but all you ever pay is the actual usage you have taken off the grid times that price. There really is no price set for the returned power other than you getting...because you are not consuming a kilowatt hour you are getting credit for it at exactly the price that you are paying. The agreements that we are talking about is that there are some other arrangements where someone sells power to the grid and some of those in the past have been at premiums. In fact, the agreement we have on selling power back from the hydro dams is at a premium price that is above what other prices on the grid are. In the net metering case you are simply getting it at whatever price you are paying for per kilowatt hour.

Mr. Farris

There is one situation where some people literally go out and buy from third party companies, green energy. They pay a premium for that because they want to only use power from that. Legal or not, there is a grey area but it's how things are done. So in other words they feel better about themselves so they will pay a little bit more and that way it's not coming from coal burning plants and things like that.

Chairman Clemons

How would a person who has already been surcharged for the solar system go about getting a credit?

Alderman McCarthy

They would have to file an application for exemption with the Assessing Office prior to the April 1st tax date.

Chairman Clemons

Is there a fee for that?

Alderman McCarthy

I don't think so. It's the same as every other exemption that we do.

Alderman Schoneman

Were you asking the question is it retroactive like back a few years? I don't think it's retroactive.

Alderman McCarthy

No.

Chairman Clemons

It was the question I was asking because if a person has a solar system on their property now and they are being assessed a higher value, could they go for a reassessment?

Alderman McCarthy

They don't need a reassessment. The exemption is an annual process. We are not going to pay them back for last year's taxes that they paid on the improvement but if they file the exemption this year they won't pay taxes on it because it will be exempted.

Alderman Schoneman

I have someone in my Ward who installed a large system and reached out to me on the same issue and I think it's a good idea. Through the process of talking with her and the Assessing Department, that's how I learned about the \$70.00 per square foot and the amount that is assessed, the traditional exemption of \$5,000. My question is, is it best to put this assessment on and then take it off or would it be better to simply not assess it as an improvement in the first place? I have a couple of concerns. One is that I talked to a relator to find out from her perspective, she's a prominent relator in Nashua, what the market benefit or cost is to having these installed and it probably relates to the age of the system. She did an informal survey and got back to me. She talked with some customers and other relators and she says if you are going to buy a house and one has a solar system and one doesn't what does that do for your perception of the value and the answer that she came back with was that it is essentially flat. Some might say it's a little more and some might say it's a little less. To assess someone for essentially something that is flat as a market value I don't think is the right thing to do. If someone puts on an addition or updates their kitchen definitely add market value and I think it's appropriate to assess those. I feel we should not imply by assessing \$70.00 per square foot that there is a market value to something and then later take it away. I don't want them to be taxed on it but I'm worried about implying that there is a value there that the market may not bear. Maybe we don't set that but I believe we do.

Alderman McCarthy

The answer to that is we don't have a choice. We are required to assess properties by what the predicted market value of them is. I would contend that there actually is a...if I am saving \$100.00 per month on electricity because I have solar that's the equivalent of \$1,200 per year so basically if I were paying a mortgage that was \$1,200 a year higher I would be at break-even so I would assume that to be the actual value of the improvements is based on what the differences in cash flow is for running a house with the assessment. We are required by law to set the assessments as close to correct market value as possible within the equalization rate and every few years we adjust them. What you should see is houses selling for almost exactly what they are assessed for. We can exempt things from it but we can't say we are not going to assess that. If there are people who are being given assessments that are vastly outside the actual experienced sale price of the homes they should appeal those to the Assessor's Office and asks for an abatement on the assessment because it's probably incorrect. I think that is likely to be the case in this instance because we don't have a lot of experience with what solar does to the value of the homes. I talked to our Planning Department and two years ago they wrote 5 building permits for solar installations and last year they wrote 275. I think we'll figure it out but I think that's an issue that has to be dealt with the assessing process and not in the tax exemption.

Alderman Schoneman

I have certainly seen the volume increase and I guess we will have to take a look at that with time. I just don't want to create the impression that we are adding value when it may not be there. Some people might say well this thing is in my yard and I want the kids to play there and I really don't want it. It's based on perception. A question in general for the home that has a solar system like that installed, when the house is sold part of the assessment process after that sale is based on market value so if the market value was up and the assessment had that raised market value would there still be a further assessment for solar or is that assessment only apply until the next time that house is sold?

Alderman McCarthy

The assessment is based on predicting what the property is going to sell for. We take a guess at it when you put the solar up at the price of the installation. You have a good point and one that we will have to deal with at some point down the road which is as the property changes value over time...solar improvements have a fixed lifespan as they depreciate as well. You can argue the value of them and I think that again, whether we pass this or not, we have to do those assessments on the solar systems. The question before us is do we tax them or not. We can't do that by not assessing them so at some point we have to deal with what the assessment valuation is and how does it vary over time.

Chairman Clemons

I want to say that I certainly support this legislation. It comes at a time when you are seeing power plants in New England shut down and we are also having large opposition to getting new power sources in so I think whatever a government can do to encourage people to put in new sources of energy we need to do. We are hitting a time when New England could be facing rolling brown outs, particularly in the summer time. If we can boost the power output even just by a fraction by putting these little systems on homes by putting this exemption on then I think we should be doing it.

Alderman Schoneman

At the end of the year we estimate the entire value of properties in Nashua. When something gets exempted is the count that we make at the end of the year, the \$8 billion, is that after the exemption or before?

Alderman McCarthy

We keep a total assessed valuation that would include that. The number that is used by the DRA to set the tax rate has the exemptions taken out of it.

Alderman Schoneman

Does this affect commercial installations?

Alderman McCarthy

As I read the RSA the definition of a solar energy system are systems that are intended to power the building on which they are installed. We've heard that a couple of stores are going to install solar. I believe it would cover those but it would not cover solar energy farms. If you are generating for the purpose or resale it is covered by a separate area in the RSA's.

Alderman Schoneman

I want to make sure that folks at home know that we don't do the net metering, we don't make those decisions. There is a lot of debate about the value of net metering and what that might do to costs for other folks because there is a transmission cost built in.

Alderman McCarthy

As you heard the gentleman tonight say, his system is powering mostly homes that are on the same stepdown as his house is and that actually helps the distribution issue because you are not moving the electricity over long distances which is what requires us to have more transmission infrastructure. If we have a lot of decentralized solar installations that are powering local neighborhoods it actually helps with

that problem. Let's just hope it works out that way.

Alderman Wilshire

I'm not on this committee but if I were I would vote yes.

MOTION CARRIED

DISCUSSION

PUBLIC COMMENT

Mr. Farris

I own my solar system and I own my house and I get the exemption and everything is good. I sell my house in three years, I'm smart enough to know that I am going to do that person a favor and sell my house and my solar system separately to them. I'm going to have a separate check but most people won't. Most people will assess the house and sell it as is and bam, your tax stamp says that \$200,000 house is now worth \$250,000. Now there is no exemption form. In these people's minds they say well we've got fifteen years by math left on the system and we will save this much and we will pay half of that. Understandably all exemptions are lost even if you guys still give it some value the math may potentially not benefit them. I think what you were looking for is a way to make sure that exemption follows that house at all times for that value.

Alderman Schoneman

It was more of a question than a statement. I was just wondering what happened to the benefit of the solar installation. For instance if I own the house and I paid \$200,000 for it and I put in a \$50,000 installation and now I am paying for the new assessed value. When I sell it for \$250,000 how is that going to be assessed later? How does it work once the house changes hands? It's not just solar it could be any exemption I suppose.

Alderman McCarthy

In that case the \$250,000 is the total value of the house with the solar. The solution of selling solar separately so that there is an established price for it is a good way to get around that. If you don't do that they you have to work out with the Assessing Department what portion of the value is based on the solar improvements after that.

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION

ADJOURNMENT

MOTION BY ALDERMAN CARON TO ADJOURN
MOTION CARRIED

The meeting was declared closed at 7:41 p.m.

Alderman Don LeBrun
Committee Clerk